PROVINCE OF SASKATCHEWAN

09-10

ANNUAL REPORT

MINISTRY OF AGRICULTURE

Farm Land Security Board

Table of Contents

Letters of transmittal **3**

Program rationale, governing legislation and organizational structure **5**

Mission statement 5
Governing legislation 5

Program objectives, activites and impacts **6**

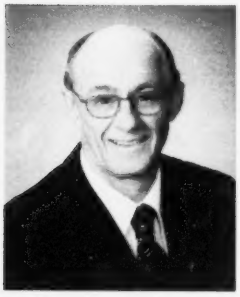
Part ii – farm foreclosure notices 6
Part iii – home quarter protection 9
Part vi – farm ownership 11

Financial information **13**

Expenditures 13
Revenue 13

This annual report is available in electronic form the Farm Land Security Board website:
www.farmland.gov.sk.ca

Letters of Transmittal



Honourable Dr. Gordon L. Barnhart, S.O.M., Ph.D
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Farm Land Security Board for the fiscal year ending March 31, 2010.

Respectfully submitted,

Bob Bjornerud
Minister of Agriculture

Letters of Transmittal

April 29, 2010

The Honourable Bob Bjornerud
Minister of Agriculture

Dear Sir:

I have the honour to submit for your consideration the Annual Report of the Farm Land Security Board for the year ending March 31, 2010.

The *Saskatchewan Farm Security Act* establishes the Farm Land Security Board, providing it a mandate in the areas of farm foreclosures, home quarter protection and farm ownership. During periods of economic instability or challenges related directly to their businesses, the Act plays a critical role in the support of farm families.

While the Notices of Intent to Foreclose served upon farmers have substantially decreased over the long term, notices did increase somewhat last year.

Activity with respect to home quarter protection continued to reflect debt restructure as the predominating category of applications for exclusion orders. Elevated operating and capital expenditures are anticipated to maintain this level of application activity into the future. The Board is preparing a class exclusion order for mortgages for new money which will show a substantial decrease in the applications.

Saskatchewan farm land values have shown a marked increase in the past year and land transfers continue at a high level in this active farm land market. This has contributed to the monitoring aspect of farm ownership protection.

Applications for exemptions from the mining industry continue to increase, involving large tracts of land. A balance of the interests of the local farm economy and the mining industry has been achieved.

The attached report illustrates the varied activities of the Board, its administrators and field staff during the past year. The Board is continually striving to improve service while balancing operating costs and efficiencies. We appreciate the opportunity to serve the people of Saskatchewan.

Respectfully submitted,

Dwayne Anderson

Chairman

Organizational Structure

Mission Statement

The Farm Land Security Board's mission is to effectively deliver Saskatchewan Farm Security programs in a manner responsive to the needs of the broad rural community. These programs have been instituted to support family farms during periods of financial difficulty and to stabilize the economic and social environment in rural Saskatchewan.

Governing Legislation

The Saskatchewan Farm Security Act and its regulations govern the Farm Land Security Board. The Board is responsible for Parts II, III and VI of the Act.

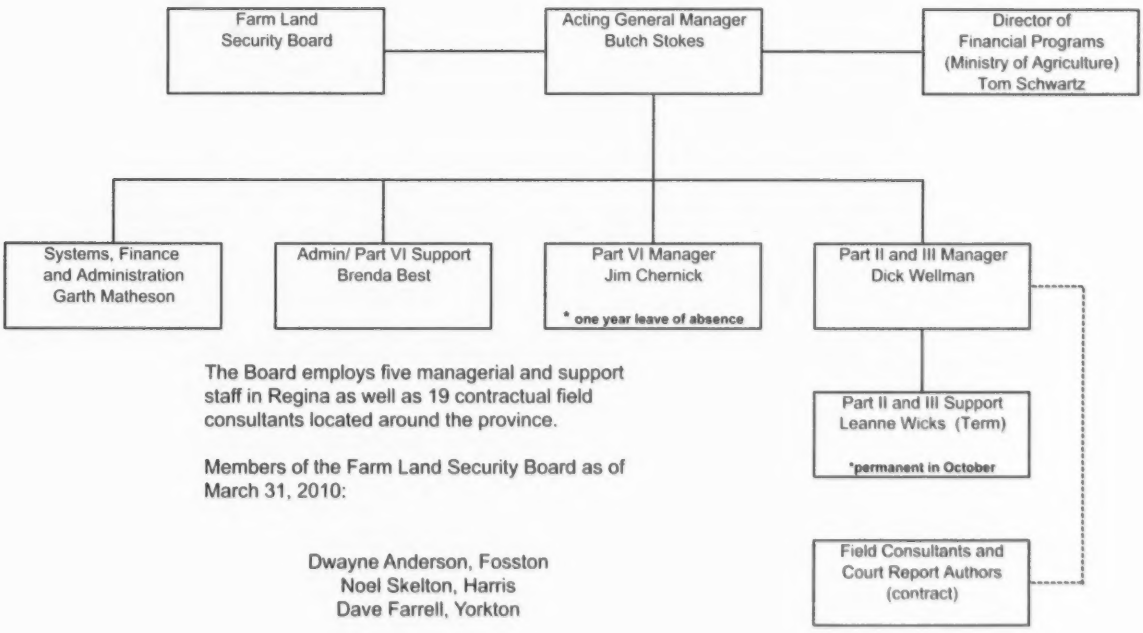
Part II of *The Saskatchewan Farm Security Act* has the stated purpose "to afford protection to farmers against loss of their farm land".

Farm Foreclosure Protection, Part II of the Act, is supportive to the farm community by enhancing the opportunity to resolve financial difficulties by other means than foreclosure. The Board's advice to court under Part II may help to postpone or to avoid commencement of foreclosure proceedings.

Home Quarter Protection, Part III of the Act, directs the Board to exclude a mortgage from Home Quarter Protection only when it is "in the best interests" of the farmer.

Farm Ownership Protection, Part VI of the Act, allows the Board to exempt certain lands from the protection where the broader needs and opportunities of our province may be served.

Farm Land Security Board Organizational Chart


Farm Land Security Board
Acting General Manager Butch Stokes
Director of Financial Programs (Ministry of Agriculture) Tom Schwartz
Systems, Finance and Administration Garth Matheson
Admin/ Part VI Support Brenda Best
Part VI Manager Jim Chernick
* one year leave of absence
Part II and III Manager Dick Wellman
Part II and III Support Leanne Wicks (Term)
*permanent in October
Field Consultants and Court Report Authors (contract)

The Board employs five managerial and support staff in Regina as well as 19 contractual field consultants located around the province.

Members of the Farm Land Security Board as of March 31, 2010:

Dwayne Anderson, Fosston
Noel Skelton, Harris
Dave Farrell, Yorkton

Program Objectives, Activities and Impacts

Part II – Farm Foreclosure Notices

Mandate:

Before proceeding to court, the Act requires all lenders or writ holders to first serve notice on the farmer and on the Farm Land Security Board respecting their intention to foreclose. The Act provides a financial review and mediation mechanism to assist the parties' efforts to find a settlement. If mediation is not successful or the farmer chooses not to participate, the Act requires the Board prepare a report for the court expressing the Board's opinion on questions stated in the Act, and any other matter the Board feels is relevant. The Act directs the court to give the report primary consideration. The statutory period allowed for the above is 150 days. Mediators are provided by the Saskatchewan Ministry of Justice, Dispute Resolution Office.

The program helps farmers facing foreclosure by clarifying their financial situation and assisting them in understanding their legal rights and obligations. These activities help establish achievable expectations and objectives for farmers as they enter the mediation process.

The program was also designed to assist the court in its determination of whether allowing foreclosure to proceed would be "just and equitable." The Board's report to the court provides insight into the personal and financial circumstances of the farm family and any other factors that can contribute to achieving the objective of the Act which is to "protect farmers against the loss of their farm land". As well, because some aspects of home quarter protection legislation are linked to the Board's opinion in the report, important legal support for farm families hinges on the report's conclusion.

Resources:

Attached to the delivery of Parts II and III under the Act was $350,300, exclusive of general administration overhead and Board meetings. Two full-time equivalent employees and 19 specialized contract field consultants work in these programs.

Objectives:

The primary objective of the program is to assist farmers and creditors facing a possible foreclosure to understand and resolve the underlying financial problems thereby keeping farmers on the land and in rural communities. An additional resulting benefit is to provide a fair and effective means of resolving farm financial difficulties without involving the court system.

Activities:

Field Analysis and Mediation Preparation

Following receipt of a Notice of Intention to Foreclose, the Board assigns the matter to a field consultant. It is the field consultant's responsibility to meet with the farm family to adequately prepare them for the mediation opportunity. This preparation includes a review and analysis of the farm family's financial situation. Discussions about their personal and financial situation and their legal rights and obligations occur. Through these discussions the field consultant helps the family establish goals for the mediation process and beyond. A financial report is produced and provided to the farmer, the mediator and the creditor. The field consultant also contacts the creditor to discuss its legal rights and obligations and to prepare the creditor for mediation. The consultant will accompany the farmer to the mediation meeting acting as a resource and a support to the family.

When the review and mediation activities do not find a suitable solution, the creditor may ask for the Board's report to the court. Upon receiving such a request, the Board appoints a consultant with specialized training to research the request. Requests for the Board's report to the court often occur several months after the mediation meeting. In these cases, the Board's research will include updating the farm's financial statement and gathering of other relevant information.

The Board will interview the lender and the farmer when necessary in preparation of the report. The report provides primary advice to the court in its determination of whether leave is granted to advance into a foreclosure action.

The Act, through its provision of a field consultant, a process of mediation, and its requirement of a court report, has avoided initiation of foreclosure actions in the majority of Notices of Intention to Foreclose. Although repayment arrangements are not always achieved, exit and other arrangements are a benefit to farm families.

Further detail on the success of mediation can be obtained from the Dispute Resolution Services section of Saskatchewan Ministry of Justice Annual Report.

These activities add, in some measure, to foreclosure notices. Farms that are dissolved or reduced through voluntary liquidations, or successfully restructured through private arrangements with their lenders are not reflected within the formal program numbers.

In this fiscal year applications received under the Farm Debt Mediation Services program increased to 100 from only 63 the previous fiscal year. Thirty of these 100 applications involved a stay of proceedings

MORTGAGES SUBJECT TO A NOTICE: BY CREDITOR						
Fiscal Year	FCC	ACS	Credit Unions	Other	Chartered Banks	TOTAL
2007-2008	98	13	74	17	62	264
2008-2009	66	7	48	34	23	178
2009-2010	116	12	27	33	39	227
Increase/ Decrease	+50 75%	+5 71%	-21 43%	-1 3%	+16 69%	+49 27%

Notices of Intent to Foreclose may involve more than one mortgage.
In addition to the Notices of Intent to Foreclose received by the Board in 2009-10, a number of resolved Notices were reactivated at the request of lenders.

Observations:

Since 1985 Notices have been served on the Board involving 16,446 mortgages and 10,646 farms.

Declining commodity prices are the main cause of increased Notices.

The number of farms attached to this notice level is not the full extent of financial difficulties in the farm economy. Participation in federally mandated programs facilitate arrangements involving debt secured to livestock, equipment and crops.

Court Reports

The Board's report to the court provides primary advice to the court for its decision whether a foreclosure action should be allowed to proceed. In addition to addressing the critical questions of whether the farm family has reasonable possibility of paying the mortgage, and whether sincere and reasonable effort is being made to pay the mortgage, the Board can comment on any issue it deems relevant to the situation. The report is distributed initially to the farmer, the creditor and their legal counsel. Once the creditor advises the Board of its court application, the report is issued to the court.

PART II - COURT REPORTS REQUESTED (a)					
FISCAL YEAR	PROVIDING OPINION	PROVIDING NO OPINION (b)	UNCONTESTED FORECLOSURE (c)	RESOLVED (d)	TOTAL
2007-2008	59	50	1	21	131
2008-2009	57	33	3	18	111
2009-2010	40	32	0	15	87

a. Not all court reports initiated by lenders are issued to the Court
b. Court report issued when Board's assistance is declined by the farmer
c. Reflects mediated arrangements which require a court report for legal purposes
d. Prior to issuing a preliminary court report a resolution of the file occurs. The Board does not track resolutions that take place once a court report is issued to the Court.

A Notice of Intention to Foreclose has a three year lifespan therefore Board activities may involve a notice served in previous years. In 2009-2010, 137 notices were resolved without the Board issuing a report. The Board wrote 72 reports, 22 per cent less than the previous year. Forty of these reports followed a mediation meeting and 32 reports saw little or no participation by the farmer. This situation arises from a variety of circumstances including the unwillingness of the farmer to engage with the Board. The Board is working at increasing farmer participation through distribution of educational material.

The completion of a legal foreclosure is not a common occurrence. The continued existence of equity in Saskatchewan farm mortgages, due to stable or increasing land values forces most farmers to accept a sale of land to salvage remaining equity.

A significant number of report requests are resolved without the Board completing its report. Likewise, many completed reports are resolved before the parties appear in court.

When the situation does proceed to court, a judicial sale, as opposed to foreclosure, is more common. By judicial sale the mortgage creditor avoids having to hold the land and avoids the right of first refusal that the Act provides the farmer. Judicial sales are a means to satisfy a number of mortgagees or writ holders who thereby share in the proceeds of the liquidated property. A judicial sale also allows the creditor to sue the farmer for any deficiency.

Judicial sales should not be considered to be of neutral impact on farm families. It is common that property sold by judicial sale is discounted in value. The farmer can also bear significant legal and court costs and loses the benefit of the right of first refusal that is a feature of *The Saskatchewan Farm Security Act*.

Part III – Home Quarter Protection

Mandate:

Home quarter protection has been a cornerstone of Saskatchewan farm protection legislation since the 1940s. The protection stays the registration of a final order for foreclosure as long as the farmer continues to live on the homestead. A farmer and a lender may co-apply to the Board to have a mortgage excluded from this protection. The Board is empowered to exclude the mortgage from protection when, in the opinion of the Board, it would benefit the farmer. The program assists farmers and creditors to consider a broader range of financing options as opposed to attaching debt to their home quarter.

Resources:

Part II and III office and human resources are shared. (See Part II for more details)

Objectives:

The mandate of home quarter protection is achieved by clarifying with farmers their security options and examining their ability to service the mortgage obligations. Before the Board will order a mortgage excluded from the protection, it must be convinced the farmer can repay the loan, and that other suitable security is not available. Additionally, it must be convinced that any aspect of a loan which appears uncharacteristic of typical lending practices has been fully discussed with the parties.

Activities:

Co-applications are reviewed by Board staff. Staff may contact the farmer and the creditor as part of their review and may request additional information concerning the farm financial situation. Staff may analyze the farm budget and security options to establish that the loan is affordable and that more suitable security arrangements are not possible. In the most difficult situations the co-application is assigned to a field consultant who will meet with the farmer and the creditor to prepare a report for the Board.

A decision to refuse the requested exclusion order only occurs after clear evidence that either the loan is not serviceable or that alternate satisfactory security options are available.

Rather than deny an application, the Board will work with the parties to find acceptable alternatives. Alternatives include issuing exclusion orders that state explicit conditions. Such conditions may release a home site from the mortgage if the loan fails, or release the home quarter once the principal is reduced to a specified amount. This work results in a very low incidence of applications being denied.

Impacts:

The Board's activities help to maintain the security of farm family homesteads. Its activities ensure that debt obligations are serviceable when a homestead is involved and that alternative options for securing debt are considered. These activities increase farmer knowledge of risk management and contribute to the future stability of rural communities.

PART III DISPOSITION OF HOME QUARTER APPLICATIONS				
Fiscal Year	Orders Issued	Orders Denied	Return/Withdrawal	Total
2007-2008	446	1	12	459
2008-2009	442	4	25	471
2009-2010	528	1	15	544

DISTRIBUTION OF HOME QUARTER CO-APPLICATIONS BY PURPOSE CATEGORY			
	2009-2010	2008-2009	2007-2008
Construction	19%	9%	14%
Purchase	11%	17%	14%
Restructure	42%	41%	40%
Revolving Credit	14%	20%	13%
Debt Settlement	2%	1%	2%
Other	12%	12%	17%

Observations:

In the 2009-2010 fiscal year co-applications to waive home quarter protection increased 15 per cent. Debt restructures remained slightly above 40 per cent of all co-applications due to farms not being able to service debt as originally structured, or due to farms moving to new creditors offering lower interest rates and interest only payments on mortgage secured loans.

Lenders continue to offer new sophisticated mortgage products that allow a variety of loans to attach to a single mortgage. Farmers are comfortable with these products and want borrowing to be flexible and easy. Prior to granting an exclusionary order, the Board works with the creditor and farmer to identify the loans attached to any style of mortgage. The Board is considering a new class exclusion order for mortgages made solely to secure new funding. This class exclusion order will significantly reduce the number of co-applications.

Part VI – Farm Ownership

Mandate:

Saskatchewan's farm ownership legislation reflects the continuing commitment the Government of Saskatchewan has to regulate the ownership and operation of Saskatchewan farm land by non-Canadian interests.

Resources:

The delivery of farm ownership activities under the Act, is included in general administrative overhead and Board meetings.

Objectives:

The Board seeks to preserve ownership and operation of Saskatchewan farm land by residents through ensuring compliance with farm ownership legislation. The Board also maintains an internal objective to remain current in t he area of agriculture and land related issues. This contributes positively to its decisions regarding land ownership.

Activities:

Responsibilities of the Board include the granting or denial of applications for exemption or extension, issuing orders for divestment and recommending Court action for violation of the Act's provisions. When individuals or corporations acquire or plan to acquire holdings that exceed that allowed by the statute, the Board considers the interests of all affected parties in making its determinations. Staff assigned to this aspect of the program monitor all changes of title in respect to farm land.

Activity Detail

The Board monitored changes of interest in rural land in the province by analyzing and classifying raw data provided by the Information Services Corporation. For the Board's purposes the initial analysis of 2009-2010 revealed 28,153 transfers totaling 3,587,804 acres. Acres transferred decreased 11.7 per cent from the previous year (2008-2009 had 32,309 transfers totaling 4,062,446 acres).

Application for Exemption

The Board has the authority to consider applications for exemption which, if approved, allow non-eligible individuals or non-agricultural corporations to have or acquire land holding in excess of that allowed under the farm ownership provisions of *The Saskatchewan Farm Security Act*. The following table summarizes the Board's activity in applications for exemption. General categories have been developed for the request for exemption the Board receives.

EXEMPTION STATISTICS								
Exemption Category	Granted		Acres		Denied		Acres	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
Intending to Reside	11	2	10,946	2080	1	0	6,000	0
Border Farm	0	2	0	1760	0	0	0	0
Commercial Developments	4	5	2,350	1912	0	0	0	0
Mining, Forestry and Petroleum	14	10	129,292	85,280	0	0	0	0
Intensive Livestock	5	2	1,816	1,320	0	0	0	0
Ag Corp Investors	2	1	640	398	0	1	0	4,562
Land Investment	0	3	0	948	2	0	0	0
Inheritance and Estate Planning	3	4	1,390	1,407	0	0	0	0
Recreational Property	1	0	160	0	0	0	0	0
TOTAL	**40**	**29**	**146,594**	**95,105**	**3**	**1**	**6,000**	**4,562**

Accomplishments:

The land sales database continues to provide a useful service to the public by allowing searchable access to land sale information. It also facilitates the monitoring of land sales transactions for the purposes of the Act.

Observations:

Land transfer data reveals that farm land purchases by individuals who reside outside of Saskatchewan continue to increase. This does not include non-Saskatchewan corporate shareholders or unit holders of limited partnerships.

Farm land purchases by corporations with some or all shareholders being Canadian residents outside of Saskatchewan have been substantial.

There are essentially two types of these corporations. Some have purchased farm land and will be carrying on farming operations, but most are acquiring a farm land base as an investment to be leased out.

Farm land in Saskatchewan is viewed as a safe investment with potential capital appreciation.

2009-2010 Financial Results – Expenditures

Expenditures:

A budget of $850,000 was provided to the Farm Land Security Board in the 2009-2010 fiscal year. Expenditures and accounts payable for the year were $669,700.

Expenditures (thousand dollars)	2009-2010		2008-2009		2007-2008	
Admin/Board						
Salaries	154.0		325.1*		143.4	
Other Expenses	25.1		28.5		33.1	
		179.1		353.6		176.5
Part II/III						
Salaries	117.2		107.5		106.8	
Other Expenses	201.6		209.0		221.6	
Accounts Payable	13.6		14.4		3.3	
		332.4		330.9		331.7
Part VI						
Salaries	.8**		86.8		70.3	
Other Expenses	.2		.1		.3	
		1.0		86.9		70.6
Systems						
Salaries	67.0		65.1		65.8	
Other Expenses	90.2		97.1		98.2	
		157.2		162.2		164
Totals						
Salaries	339.0		584.5		386.3	
Other Expenses	317.1		334.7		353.2	
Accounts Payable	13.6		14.4		3.3	
		669.7		933.6		742.8

* 159.8 severance charged to Admin/Board salaries.
** Most of Part VI expenditures were charged to Admin/Board.

Revenue

During 2009-2010 fees generated $100,100 in revenue and accounts receivable.

Revenues (thousand dollars)	**2009-2010**	**2008-2009**	**2007-2008**
Notice Application Fee	39.3	41.4	58.8
Land Sales Data Fee	58.3	66.1	43.0
Farm Ownership Fee	2.5	3.3	2.6
Total	**100.1**	**110.8**	**104.4**